

REBUTTAL TESTIMONY

Of

**Garret E. Gorniak
Accountant**

**Accounting Department
Financial Analysis Division
Illinois Commerce Commission**

**Petition for Approval of Delivery Services Tariffs and Tariff Revisions and of
the Residential Delivery Services Implementation Plan and for Approval of
Certain Other Amendments and Additions to Its Rates, Terms and
Conditions**

Commonwealth Edison Company

Docket No. 01-0423

OCTOBER 16, 2001

OFFICIAL FILE
I.C.C. DOCKET NO. 01-0423
Staff Exhibit No. 15.0 CR2
Name: Gorniak
Date 11-6-01 Reporter: KK

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1 **WITNESS IDENTIFICATION**

2 **Q. Please state your name and business address.**

3
4 A. My name is Garret E. Gorniak. My business address is 160 N. LaSalle
5 Street Suite C-800 Chicago, Illinois 60601.
6

7 **Q. By whom are you employed and in what capacity?**

8
9 A. I am an Accounting Supervisor in the Accounting Department of the Financial
10 Analysis Division of the Illinois Commerce Commission ("Commission").
11

12 **Q. Have you previously submitted testimony in this proceeding?**

13
14 A. Yes, I have submitted ICC Staff Ex. 1.0, Direct Testimony of Garret E.
15 Gorniak, and ICC Staff Ex. 13.0 Supplemental Direct Testimony of Garret E.
16 Gorniak.
17

18 **PURPOSE OF TESTIMONY**

19 **Q. What is the purpose of your Rebuttal Testimony in this proceeding?**

20
21 A. The purpose of my Rebuttal Testimony is to comment on David Efron's
22 Testimony labeled as Ex. GC 2.0 and to update the schedules to reflect

changes that Staff Witness Bruce Larson has made to his adjustments discussed at ICC Staff Ex. 23.0 for plant, depreciation, accumulated depreciation and deferred income taxes.

Q. Are you sponsoring any schedules as part of ICC Staff Ex. 15.0?

A. Yes. I have prepared (or supervised the preparation of) the following schedules for the Company, which show data as of, or for the test year ending December 31, 2000;

Schedule 15.1 p.1 – Depreciation Expense, Accumulated Depreciation and Actual Plant Placed in Service in the 2nd Quarter 2001 Adjustment.

Schedule 15.1 p. 2 -Accumulated Deferred Income Taxes Related to Actual Plant Placed in Service in the 2nd Quarter Adjustment.

Schedule 15.2 p. 1 – Depreciation Expense, Accumulated Depreciation and Plant related to Premium to Contractors Adjustment

Schedule 15.2 p. 2 – Accumulated Deferred Income Taxes Related to Premium to Contractors Adjustment

Schedule 15.3 p. 1 – Depreciation Expense, Accumulated Depreciation and Plant related to ComEd Overtime Adjustment

Schedule 15.3 p. 2 – Accumulated Deferred taxes Related to ComEd Overtime Adjustment

45 **RATE BASE ADJUSTMENTS**

46 **COMMENTS ON DAVID EFFRON'S DIRECT TESTIMONY**

47 **Actual Plant Placed in Service in the 2nd Quarter of 2001 Adjustment**

48

49 **Q. Do you have any comments on David Effron's Direct Testimony**
50 **labeled as GC 2.0?**

51

52 **A.** Yes, I do. On pages 35-36 of Mr. Effron's Direct Testimony, he concludes
53 that the Company's estimate for its expenditures on "Projects Reasonably
54 Expected to be Placed In-service in Second quarter of 2001" were greater
55 than that which was actually expended. The estimated amount of
56 \$126,592,000 was included in the filing, and the response to my Staff Data
57 Request GEG-1.01 indicated the total actual expenditure on the projects that
58 went into service was \$115,554,000. This is \$11,038,000 less than was
59 included in the filing. I agree with Mr. Effron that the Company should not be
60 allowed to earn a return on an investment that was not made. Therefore, I
61 concur and support Mr. Effron's adjustment, and plant in service should be
62 reduced by this amount. I show this adjustment on ICC Staff Ex. 15.0,
63 Schedule 15.1, Page 1 of 2, labeled Depreciation Expense, Accumulated
64 Depreciation and Actual Plant Placed in Service in the 2nd Quarter 2001
65 Adjustment. Page 2 of 2 of Schedule 15.1 shows the calculation of the
66 related accumulated deferred income taxes.

67 **Accumulated Depreciation Adjustment**

68

69 **Q. Did Mr. Effron make an adjustment to accumulated depreciation for**
70 **plant?**

71 **A.** Yes, he did. Mr. Effron discusses his adjustment on Ex. GC 2.0 pages 40-
72 41. It is my understanding that he is suggesting that the accumulated
73 depreciation account should be increased for an additional six months of
74 depreciation for 66.67% of the plant in service at December 31, 2000. This
75 is for plant other than what the Company included for plant added and
76 included in the filing for 2001.

77

78 **Q. Do you agree with his adjustment?**

79

80 **A.** Although, his argument appears to have some merit, I do not see where he
81 has made any other adjustments for extending the test year to this point in
82 time. Therefore, I have not adopted his adjustment.

83

84 **CONTRACTOR PREMIUM PLANT ADJUSTMENT**

85 **Q. Please describe ICC Staff Ex. 15.0, Schedule 15.2, Depreciation**
86 **Expense, Accumulated Depreciation and Plant Related to Premium to**
87 **Contractors Adjustment.**

88

89 A. ICC Staff Ex. 15.0, Schedule 15.2 page 1 presents, as it did in my
90 Supplemental Testimony at ICC Staff Ex. 13.0, Schedule 13.2, the
91 quantification of the accumulated depreciation effect of Staff Witness Bruce
92 Larson's adjustment to plant proposed in his Direct Testimony in ICC Staff
93 Ex. 9.0. It has been updated to reflect a revised amount of plant adjustment
94 reflected in Mr. Larson's Rebuttal Testimony at ICC Staff Ex. 23.0, along with
95 the associated accumulated depreciation . Page 2 of this schedule is new
96 and presents the accumulated deferred income taxes related to this
97 adjustment and its calculation.

98

99 **COMED OVERTIME ADJUSTMENT**

100 **Q. Please describe ICC Staff Ex. 15.0, Schedule 15.3, Depreciation**
101 **Expense, Accumulated Depreciation and Plant Related to ComEd**
102 **Overtime Adjustment.**

103

104 A. ICC Staff Ex. 15.0, Schedule 15.3 page 1 supercedes ICC Staff Ex. 13.0,
105 Schedule 13.1. It includes the revisions that Staff Witness Bruce Larson has
106 made in his Rebuttal Testimony at ICC Staff Ex. 23.0 to the amounts he has
107 disallowed for plant related to ComEd overtime. It quantifies his adjustment
108 decreasing plant and decreasing accumulated depreciation. Page 2 of
109 Schedule 15.3 presents the adjustment and calculations of the related Staff
110 Adjustment decreasing accumulated deferred income taxes.

111

112 **EXPENSE ADJUSTMENTS**

113 **DEPRECIATION EXPENSE ADJUSTMENT ASSOCIATED WITH ACTUAL**
114 **PLANT PUT IN SERVICE IN THE 2ND QUARTER OF 2001**

115

116 **Q. What Depreciation Expense Adjustment have you made related to**
117 **actual plant put in service in the 2nd quarter of 2001?**

118 **A.** ICC Staff Ex. 15.0, Schedule 15.1, presents the depreciation expense
119 adjustment related to actual plant put in service in the 2nd quarter of 2001.
120 The rate base adjustment for this plant is discussed above.

121

122 **DEPRECIATION EXPENSE ADJUSTMENT ASSOCIATED WITH PLANT**
123 **RELATED TO PREMIUM TO CONTRACTORS**

124 **Q. What Depreciation Expense Adjustment have you made related to**
125 **plant related to premium to contractors?**

126

127 **A.** ICC Staff Ex. 15.0, Schedule 15.2, page 1, presents the depreciation
128 expense adjustment related to plant associated with the premium to
129 contractors discussed in ICC Staff Ex. 23.0. The rate base adjustment for
130 this plant is discussed above.

131

132 **DEPRECIATION EXPENSE ADJUSTMENT ASSOCIATED WITH PLANT**
133 **RELATED TO COMED OVERTIME**

134 **Q. What Depreciation Expense Adjustment have you made related to**
135 **Plant related to ComEd overtime?**

136 **A.** ICC Staff Ex. 15.0, Schedule 15.3 presents the depreciation expense
137 adjustment related to ComEd overtime discussed at ICC Staff Ex. 23.0. It is
138 on the same schedule where I show the related adjustment to plant. The rate
139 base adjustment for this plant is discussed above.

140

141 **CONCLUSION**

142

143 **Q. Does this conclude your testimony?**

144

145 **A.** Yes, it does.

Commonwealth Edison Company
 Depreciation Expense, Accumulated Depreciation and Actual Plant Placed
 in Service in the 2nd quarter Adjustment
 Test Year Ended December 31, 2000
 (In Thousands)

Line No. (A)	Description (B)	Amount (C)
1	Depreciation Expense per Staff	\$2,947
2	Depreciation Expense per Company	<u>3,224</u>
3	Staff Adjustment Decreasing Depreciation Expense	<u>\$ (277)</u>
4	Accumulated Depreciation per Staff	\$2,947
5	Accumulated Depreciation per Company	<u>3,224</u>
6	Staff Adjustment Decreasing Accumulated Depreciation	<u>\$ (277)</u>
7	Plant Per Staff	\$ 115,554
8	Plant Per Company	<u>126,592</u>
9	Staff Adjustment Decreasing Plant	<u>\$ (11,038)</u>

Source:

- Line 1 Amount per Staff multiplied by the 2.55% depreciation rate.
 Depreciation rate is weighted average of the ratio of 3.6% and 2.4% and amount of plant in each category
- Line 2 Per ComEd Schedule C-2.2 (AD-030) page 2, line 9.
- Line 3 Line (1) - Line (2).
- Line 4 Estimated accumulated depreciation for 1 year; line 1 * 1 year.
 $\$2,947 \times 1 = \$2,947$
- Line 5 Estimated accumulated depreciation for 1 year; line 2 * 1 year.
 $\$3,224 \times 1 = \$3,224$
 Per Company Schedule B-2.2, p. 2, Line 6.
- Line 6 Line (4) - Line (5).
- Line 7 Amount actually spent per response to GEG-1.01 corrected.
- Line 8 Per ComEd Schedule B-2.2 (AD-017) page 2, line 1.
- Line 9 Line (7) - Line (8).

Commonwealth Edison Company
Accumulated Deferred Income Taxes Related to Actual Plant Placed in Service
in the 2nd Quarter Adjustment
Test Year Ended December 31, 2000
(In Thousands)

Line No. (A)	Description (B)	Amount (C)
1	Accumulated Deferred Taxes per Staff	\$ 0
2	Accumulated Deferred Taxes per Company	52
3	Staff Adjustment Decreasing Accumulated Deferred Income Taxes	<u>\$ (52)</u>

Line 1 Amount per Staff.

Line 2 Plant Amount Disallowed \$11,038
2001

Book Depreciation Expense 281

Tax Depreciation Rates
Year 1 3.750%

Tax Depreciation 414

Difference 132

Income Tax Rates 39.60%

Deferred Income Tax Expense \$52
Total

Line 3 Line (1) - Line (2).

Commonwealth Edison Company
 Depreciation Expense, Accumulated Depreciation and Plant Related to Premium to Contractors Adjustment
 Test Year Ended December 31, 2000
 (In Thousands)

Line No. (A)	Description (B)	Amount (C)
1	Depreciation Expense per Staff	\$ 0
2	Depreciation Expense Assumed Included per Filing	603
3	Staff Adjustment Decreasing Depreciation Expense	<u>\$ (603)</u>
4	Accumulated Depreciation per Staff	\$ 0
5	Accumulated Depreciation Assumed Included per Filing	904
6	Staff Adjustment Decreasing Accumulated Depreciation	<u>\$ (904)</u>
7	Plant Per Staff	\$ 0
8	Plant Per Company as Found by Staff.	16,742
9	Staff Adjustment Decreasing Plant	<u>\$ (16,742)</u>

Source:

- Line 1 Amount per Staff.
 Line 2 Plant reduction multiplied by the 3.6% depreciation rate.
 Plant assumed to be categorized as 3.6% depreciable plant per Staff Witness Bruce Larson.
 Line 3 Line (1) - Line (2).
 Line 4 Amount per Staff.
 Line 5 Estimated accumulated depreciation of 1.5 years.

$$\begin{array}{rclcl} \$ & 603 & * & 1.5 & = & \$904 \end{array}$$

 Line 6 Line (4) - Line (5).
 Line 7 Amount per Staff.
 Line 8 Amount discussed in ICC Staff EX 23.0.
 Line 9 Line (7) - Line (8).

Commonwealth Edison Company
Accumulated Deferred Income Taxes Related to Premium to Contractor Adjustment
Test Year Ended December 31, 2000
(In Thousands)

Line No. (A)	Description (B)	Amount (C)
1	Accumulated Deferred Taxes per Staff	\$ 0
2	Accumulated Deferred Taxes per Company	<u>369</u>
3	Staff Adjustment Decreasing Accumulated Deferred Income Taxes	<u>\$ (369)</u>

Line 1	Amount per Staff.		
Line 2	Plant Amount Disallowed	<u>\$16,742</u>	
		<u>1999</u>	<u>2000</u>
	Book Depreciation Expense	301	603
	Tax Depreciation Rates		
	Year 1	3.750%	
	Year 2		7.219%
	Tax Depreciation	<u>628</u>	<u>1,209</u>
	Difference	326	606
	Income Tax Rates	39.60%	39.60%
	Deferred Income Tax Expense	<u>\$129</u>	<u>\$240</u>
	Total		<u>\$369</u>
Line 3	Line (1) - Line (2).		

Commonwealth Edison Company
Depreciation Expense, Accumulated Depreciation and Plant related to ComEd Overtime Adjustment
Test Year Ended December 31, 2000
(In Thousands)

Line No. (A)	Description (B)	Amount (C)
1	Depreciation Expense per Staff	\$ 0
2	Depreciation Expense Assumed Included per Filing	240
3	Staff Adjustment Decreasing Depreciation Expense	<u>\$ (240)</u>
4	Accumulated Depreciation per Staff	\$ 0
5	Accumulated Depreciation Assumed Included per Filing	317
6	Staff Adjustment Decreasing Accumulated Depreciation	<u>\$ (317)</u>
7	Plant Per Staff	\$ 0
8	Plant Per Company	9,222
9	Staff Adjustment Decreasing Plant	<u>\$ (9,222)</u>

Source:

Line 1	Amount per Staff.	
Line 2	Plant assumed to be categorized as 3.6% depreciable plant per Staff Witness Bruce Larson.	
	<u>Year</u> <u>Overtime</u> * <u>Years</u> * 3.60% =	
	1999 \$4,091 * 1 * 3.60% =	\$147
	2000 4,900 * 0.5 * 3.60% =	88
	2001** 231 * 0.5 * 3.60% =	4
	Total <u>\$9,222</u>	<u>\$240</u>
Line 3	Line (1) - Line (2).	
Line 4	Amount per Staff.	
Line 5	Accumulated depreciation:	
	1999 4,091 * 3.60% * 1/2 year =	\$74
	2000 4,091 + 4,900* 1/2 year = 6,541 * 3.60% =	235
	2001** 231 * 3.60% =	8
	Total	<u>\$317</u>
Line 6	Line (4) - Line (5).	
Line 7	Amount per Staff.	
Line 8	Amount shown on ICC Staff Witness Bruce Larson's Rebuttal Testimony ICC Staff Exhibit 23.2.	
	<u>Year</u> <u>Overtime</u>	
	1999 \$4,091	
	2000 4,900	
	2001** 231	
	Total <u>\$9,222</u>	
	** included in the test year 2000.	
Line 9	Line (7) - Line (8).	

Commonwealth Edison Company
 Accumulated Deferred Income Taxes Related to ComEd Overtime Adjustment
 Test Year Ended December 31, 2000
 (In Thousands)

Line No.	(A)	(B)	(C)
1	Accumulated Deferred Taxes per Staff		\$ 0
2	Accumulated Deferred Taxes per Company		94
3	Staff Adjustment Decreasing Accumulated Deferred Income Taxes		\$ (94)
Line 1	Amount per Staff:		

Line 2	Plant Amount in Service July 1999	\$4,091	
	1999		2000
	Book Depreciation Expense	74	147
	Tax Depreciation Rates	3.750%	7.219%
	Year 1		
	Year 2		
	Tax Depreciation	153	295
	Difference	79	148
	Income Tax Rates	39.60%	39.60%
	Deferred Income Tax Expense	\$31	\$59
	Subtotal		\$90
	Plant Amount in Service 2000 and 2001	\$5,131	
	Included in the test year		2000
	Book Depreciation Expense		176
	For 2000 Assets		8
	For 2001 Assets Included in the test year 2000		
	Tax Depreciation Rates		3.750%
	Year 1		
	Tax Depreciation	192	8
	Difference		
	Income Tax Rates		39.60%
	Deferred Income Tax Expense		\$3
	Sub total		\$94
Line 3	Decrease in accumulated deferred income taxes		
Line (1) - Line (2)			